

SOUTHLAND ROYALTY CO.

IBLA 84-324

Decided October 30, 1984

Appeal from decision of New Mexico State Office, Bureau of Land Management, rejecting high bid for competitive oil and gas lease NM-58137.

Set aside and remanded.

1. Oil and Gas Leases: Competitive Leases -- Oil and Gas Leases:  
Discretion to Lease

Where a competitive oil and gas lease high bid is not clearly spurious or unreasonable on its face and the record fails to disclose a sufficient factual basis for the conclusion that the bid is inadequate, the decision will be set aside and the case remanded for compilation of a more complete record and readjudication of the bid. A record that does not reveal the estimated minimum acceptable value for a parcel and sufficient factual data to establish its prima facie correctness cannot support rejection of the high bid for the parcel.

APPEARANCES: Randolph P. Mundt, Esq., Associate Corporate Counsel, Southland Royalty Company.

OPINION BY ADMINISTRATIVE JUDGE GRANT

Southland Royalty Company (Southland) appeals from a January 19, 1984, decision of the New Mexico State Office, Bureau of Land Management (BLM), rejecting its high bid submitted for parcel 6 at the December 15, 1983, competitive oil and gas lease sale. The parcel embraces the 639.08 acres in sec. 2, T. 29 N., R. 4 W., New Mexico Principal Meridian, Rio Arriba County, New Mexico (San Juan Field). Southland's bid of \$102,252.80, or \$160 per acre, was one of five bids submitted for parcel 6.

In recommending rejection of the high bid, the Deputy State Director, Mineral Resources, stated: "Bids for the December 15, 1983, lease sale have been reviewed. The Branch of Economic Evaluation recommends that the high bids for parcels 6, 35, and 38 be rejected. It is recommended that the high bids for the remaining parcels be accepted." Pursuant to this memorandum, BLM rejected appellant's high bid which resulted in this appeal.

In the statement of reasons for appeal, Southland presents a map of the geological structure of the subject tract and adjacent lands. Appellant analyzes the productivity of the surrounding oil and gas wells and

argues that its bid for the subject parcel was a fair and reasonable offer and should have been accepted.

[1] The Secretary of the Interior has discretionary authority to reject a high bid for a competitive oil and gas lease as inadequate. 30 U.S.C. § 226(b) (1982); see, e.g., Viking Resources Corp., 80 IBLA 245 (1984). This Board has consistently upheld that authority so long as there is a rational basis for the conclusion that the high bid does not represent the fair market value for the parcel. The Westlands Co., 82 IBLA 129 (1984); Viking Resources Corp., supra. However, where the bid is not clearly unreasonable and spurious on its face and the record fails to disclose a sufficient factual basis for the conclusion that the bid is inadequate, the Board will set aside the decision and remand the case to BLM for compilation of a more complete record and readjudication of the bid. R. T. Nakaoka, 81 IBLA 197 (1984); Mesa Petroleum Co., 81 IBLA 194 (1984); Larry White, 81 IBLA 19 (1984). In its decision, BLM stated, "Our evaluation of this parcel shows that the bid was less than the pre-sale tract valuation." The value determined by BLM was not provided for the record and, aside from the memorandum quoted above, no supporting information is contained in the case file.

We are unable to ascertain a reasonable basis for the BLM decision on the present record. There is no elaboration of any factual data in the record. See Mesa Petroleum Co., supra at 196; Davis & Smith, Ltd., 73 IBLA 22, 24 (1983). The record does not set forth the presale evaluation, any of the information on which it is based, or the manner in which it was calculated. In order for this Board to find that BLM had a rational basis for its conclusion, we must know that basis. Although this Board will not substitute its judgment for that of BLM in determining the fair market value of parcels, the Board will require sufficient facts and analysis to ensure that a rational basis for the determination is present. E.g., Mesa Petroleum Co., supra at 196; Viking Resources Corp., 77 IBLA 57, 59 (1983). The Board has held that the ultimate burden is on appellant to establish that his bid represents fair market value. However, a bid rejection cannot be sustained for failure to meet this burden in the absence of the presale evaluation and sufficient documentation in support thereof to establish its prima facie correctness. R. T. Nakaoka, supra at 200.

Accordingly, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 CFR 4.1, the decision appealed from is set aside and the case is remanded for further consideration consistent herewith.

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C. Randall Grant, Jr.  
Administrative Judge

We concur:

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James L. Burski Gail M. Frazier  
Administrative Judge

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Administrative Judge